



## **Testimony**

### **SB 425**

### **An Act Concerning a Basic Health Program**

**Public Health Committee**

**March 21, 2012**

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Universal Health Care Foundation of Connecticut is an independent non-profit foundation dedicated to achieving access to high quality, affordable health care for everyone in our state. We strongly support the implementation of the State Basic Health Program (SBHP) in Connecticut as outlined in SB 425.

It is fitting that the Public Health Committee is hearing testimony on this bill today. Exactly two years ago, the United States House of Representatives passed the Patient Protection and Affordable Care Act (ACA). Two days later, President Obama signed it into law. It is no coincidence that the word “affordable” is in the law’s title. But if Connecticut is to live up to the letter and the spirit of the law, we must implement the State Basic Health Program. Establishing the SBHP in Connecticut will mean that insurance coverage will be **affordable** to people in Connecticut that have incomes between 138% and 200% of federal poverty (FPL). The SBHP will be **affordable** to the state and **affordable** to health care providers. Finally, implementation of the SBHP will not hurt the operation of the Exchange.

#### **Affordable to Connecticut’s Residents**

People in this income bracket, who work hard for a living but are barely getting by, need access to comprehensive, affordable health care coverage. Without the SBHP, a large proportion of them will have no choice but to remain uninsured. Even those electing coverage in the Health Insurance Exchange will have no health security, knowing if they seek care, they will face deductibles and co-pays that they cannot afford.

The two charts below, taken from the Health Insurance Exchange Planning Report prepared by Mercer Consulting, show the monthly and annual medical cost exposure for individuals in the Exchange.

## Annual costs in the Health Insurance Exchange, 2014

FPL%	Annual Premium	Annual Cost-sharing	Total
138%	\$ 540 (3%)	\$ 360 (2%)	\$ 900 (5%)
150%	\$ 720 (4%)	\$ 360 (2%)	\$1,080 (6%)
200%	\$ 1,560 (6%)	\$ 840 (3%)	\$2,400 (10%)

## Monthly costs in the Health Insurance Exchange, 2014

FPL%	Monthly Premium	Monthly Cost-sharing	Total
138%	\$ 45 (3%)	\$ 30 (2%)	\$ 75 (5%)
150%	\$ 60 (4%)	\$ 30 (2%)	\$ 90 (6%)
200%	\$130 (6%)	\$ 70 (3%)	\$200 (10%)

The chart below translates 2012 FPL percentages into dollars

FPL%	Monthly Income	Annual Income
138%	\$ 1,285	\$ 15,415
150%	\$ 1,396	\$ 16,755
200%	\$ 1,722	\$ 22,340

Connecticut is a very high cost state. Under the Affordable Care Act, Medicaid will expand to cover people up to 138% FPL. But many of those just above that income level will not be able to afford coverage in the Health Insurance Exchange. Residents in the 138%-200% FPL income bracket struggle to afford housing, food, and transportation and do not have disposable income to cover even these essential services. It is no wonder that the Mercer Report projects that 50% of those eligible to enroll in the Exchange in this income bracket, will not enroll. Therefore, without the SBHP, we will have more uninsured in Connecticut. In a state that prides itself in being at the forefront of implementing the ACA, this is an unacceptable result.

### **Affordable to Connecticut's State Budget**

Studies conducted by UMass Center for Health Law and Economics, Mercer Consulting and the Urban Institute and Dr. Jonathan Gruber for the Sustinet Board all concluded that the SBHP will be affordable to the state. Furthermore, SB 425 includes language that protects the state budget. The bill is absolutely intended to be cost-neutral to the state. Implementation of the SBHP could even achieve significant savings, if HUSKY parents between 133% and 185% FPL and pregnant women currently insured by Medicaid, enroll in the SBHP.

Connecticut must act now. To delay moving toward the SBHP will simply mean denial of affordable coverage to a crucial segment of Connecticut's population. Rather than holding back, Connecticut should be making every effort to implement the SBHP.

**Affordable to Connecticut's Health Care Providers**

The foundation disputes claims from some providers that the SBHP will have serious negative financial consequences. True, reimbursement rates in the SBHP are likely to be lower than commercial rates in many cases. However, these lower rates must be weighed against the higher rates of uncompensated care, higher rates of uncollected co-pays and deductibles and higher administrative costs spent trying to collect these payments. Furthermore, SB 425 contains specific language directing that any savings that accrue to the state from implementing the SBHP should be used to increase provider payment rates.

It is more vital to guarantee access to affordable, comprehensive health coverage to individuals that make between \$15,000 and \$22,000 dollars a year than to guarantee a higher income stream to institutions that collect millions of dollars in revenues every year. The foundation applauds the Connecticut State Medical Society and Connecticut's Chapter of the National Physicians Alliance for supporting the SBHP, despite similar concerns about reimbursement. They are valuing the interests of their patients above their bottom lines. The SBHP will not bankrupt Connecticut's health care providers. Without the SBHP, many residents of our state will be bankrupted by high premiums and out-of-pocket health care costs or because they do not enroll in unaffordable health insurance through the Exchange.

**Impact on the Health Insurance Exchange**

If we adopt the SBHP, there will be fewer people in the Exchange. However, the Mercer report documents that without the SBHP, the Exchange population is likely to be sicker, leading to higher costs for its customers. Even with implementation of the SBHP, the Exchange will be viable. It will be large enough to achieve administrative economies of scale and bargaining power. It is more important to protect low income residents of our state from unaffordable insurance than to be over-protective of the Exchange's bottom line.

In conclusion, Connecticut's low income residents need the SBHP to provide them with the health care coverage and security they need and deserve. We urge the Public Health Committee to pass SB 425.